

Dovercourt Recreation Association



Financial Statements For the year ended December 31, 2019



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For the year ended December 31, 2019

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Independent Auditor's Report

To the Members of Dovercourt Recreation Association

Opinion

We have audited the financial statements of Dovercourt Recreation Association (the "Association") which comprise the balance sheet as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act of Ontario, we report that, in our opinion, the accounting principles in Canadian Accounting Standards for Not-for-Profit Organizations have been applied on a basis consistent with that of the preceding year.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
May 26, 2020
Ottawa, Ontario

Dovercourt Recreation Association Balance Sheet

December 31	2019	2018
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 678,048	\$ 1,157,777
Accounts receivable	80,097	29,802
Inventory	1,424	2,241
Prepaid expenses	53,096	22,790
	812,665	1,212,610
Tangible capital assets (Note 3)	2,089,838	1,569,847
Intangible capital assets (Note 4)	79,015	-
	\$ 2,981,518	\$ 2,782,457

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 232,669	\$ 653,236
Deposits on hand	312,178	312,504
Government remittances payable	53,798	44,231
Deferred contributions (Note 5)	57,691	74,884
	656,336	1,084,855
Deferred contributions related to tangible capital assets (Note 6)	1,415,645	918,123
	2,071,981	2,002,978
Net assets		
Internally restricted for invested in capital assets	753,208	651,724
Internally restricted reserve fund	124,198	124,198
Unrestricted	32,131	3,557
	909,537	779,479
	\$ 2,981,518	\$ 2,782,457

Approved on behalf of the board:

Director

 Director

Dovercourt Recreation Association Statement of Changes in Net Assets

For the year ended December 31

2019

	Internally Restricted for Invested in Capital Assets	Internally Restricted Reserve Fund	Unrestricted	Total
Balance, beginning of year	\$ 651,724	\$ 124,198	\$ 3,557	\$ 779,479
Excess (deficiency) of revenue over expenses for the year	(37,733)	-	167,791	130,058
Investment in tangible capital assets	139,217	-	(139,217)	-
Balance, end of year	\$ 753,208	\$ 124,198	\$ 32,131	\$ 909,537

2018

	Internally Restricted for Invested in Capital Assets	Internally Restricted Reserve Fund	Unrestricted	Total
Balance, beginning of year	\$ 120,548	\$ 265,956	\$ 784	\$ 387,288
Excess (deficiency) of revenue over expenses for the year	(33,751)	-	425,942	392,191
Investment in tangible capital assets	564,927	-	(564,927)	-
Interfund transfer	-	(141,758)	141,758	-
Balance, end of year	\$ 651,724	\$ 124,198	\$ 3,557	\$ 779,479

Dovercourt Recreation Association Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Programs (Schedule 1)	\$ 4,946,335	\$ 5,013,512
Operations and Community Development (Schedule 2)	661,606	623,948
City of Ottawa Funding	415,492	403,372
	<u>6,023,433</u>	<u>6,040,832</u>
Direct expenses		
Programs (Schedule 1)	2,629,349	2,613,556
Operations and Community Development (Schedule 2)	3,264,026	3,035,085
	<u>5,893,375</u>	<u>5,648,641</u>
Excess of revenue over expenses for the year	<u>\$ 130,058</u>	<u>\$ 392,191</u>

Dovercourt Recreation Association Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from (used in) operating activities		
Excess of revenue over expenses for the year	\$ 130,058	\$ 392,191
Adjustment for		
Amortization of tangible capital assets	88,967	46,988
Amortization of intangible capital assets	8,779	-
Deferred contributions recognized	<u>(60,013)</u>	<u>(13,237)</u>
	167,791	425,942
Change in non-cash working capital items		
Accounts receivable	(50,295)	50,691
Inventory	817	(891)
Prepaid expenses	(30,306)	13,981
Accounts payable and accrued liabilities	(420,566)	414,190
Deposits on hand	(326)	(132,986)
Government remittances payable	9,567	(796)
Deferred contributions	<u>(17,193)</u>	<u>(18,746)</u>
	<u>(340,511)</u>	751,385
Cash flows from (used in) investing activities		
Purchase of tangible capital assets	(696,756)	(1,083,721)
Capital contributions received	<u>557,538</u>	<u>485,313</u>
	<u>(139,218)</u>	(598,408)
Increase (decrease) in cash and cash equivalents during the year	(479,729)	152,977
Cash and cash equivalents, beginning of year	<u>1,157,777</u>	<u>1,004,800</u>
Cash and cash equivalents, end of year	<u>\$ 678,048</u>	<u>\$ 1,157,777</u>

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2019

Nature of Operations

Dovercourt Recreation Association (the "Association") was incorporated in December 1977. It is a registered charity, non-taxable organization and operates the Dovercourt Recreation Centre, a building constructed and owned by the City of Ottawa. It provides recreational and leisure services to the Dovercourt community through committed, professional employees and dedicated community volunteers; high quality, creative and progressive programming; and healthy, safe and friendly environments in which all may thrive.

The City provides funding, which will vary from year to year, to the Association to defray annual operating costs. The city also pays directly certain costs of operating the building such as heat, water, electricity and repairs.

The Association provides a variety of programs for which registration fees are charged to participants.

1. Significant Accounting Policies

Basis of Presentation The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

Management Responsibility and Use of Estimates The financial statements of the Association are the responsibility of management and are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Since precise determination of many assets and liabilities at the financial statement date and the reported amount of revenues and expenses during the reporting period is dependent on future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements, however actual results could differ from management's best estimates and assumptions as additional information becomes available in the future.

Significant estimates include assumptions used in estimating the useful life and related amortization of capital assets and provisions for certain accrued liabilities.

Financial Instruments Financial instruments are financial assets or liabilities of the Association where, in general, the Association has the right to receive cash or another financial asset from another party or the Association has the obligation to pay another party cash or other financial asset.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2019

1. **Significant Accounting Policies (continued)**

**Financial Instruments
(continued)**

Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

The Association subsequently measures its financial assets and financial liabilities at amortized cost.

The Association's financial assets and financial liabilities measured at amortized cost include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and government remittances payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed, to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess of revenue over expenses.

Transaction costs

The Association recognizes its transaction costs in excess of revenue over expenses in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Revenue Recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Program revenue, other revenue, and unrestricted investment income are recognized as revenue when earned.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Cash and Cash Equivalents Cash and cash equivalents include redeemable investments or investments with an original maturity of less than 180 days.

Tangible Capital Assets Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is based on the estimated useful life of the asset and is provided as follows:

Facility expansion	Straight-line	20 years
Equipment	Straight-line	3-5 years
Contributed van	Straight-line	5 years
Furniture and fixtures	Straight-line	3-5 years
Computers	Straight-line	3 years
Facility improvements	Straight-line	3-20 years

One-half of the above rates is used in the year of acquisition.

Tangible capital assets that cost less than \$1,000 are charged to expense in the year of acquisition.

Intangible Capital Asset Intangible capital asset is recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the intangible capital asset over its estimated useful life. Intangible capital asset consists of computer software, which is expected to have a useful life of 5 years. One-half of the amortization rate is used in the year of acquisition.

Contributed Materials and Services Contributed materials and services which are used in the normal course of the Association's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Deposits on Hand Registration fees received for programs which have not commenced at December 31st are recorded as deposits on hand.

Internally Restricted Net Assets A portion of the Association's net assets has been restricted in accordance with specific directives as approved by the Association's board of directors. The purpose of each is as follows:

Invested in Capital Assets

Invested in capital assets comprises the net book value of capital assets.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Internally Restricted Net Assets (continued) *Restricted Reserve Fund*

Designated for obligations of the Association to be used at the discretion of the board of directors. The intended use of the reserve is security against financial insolvency.

All expenses from the restricted reserve fund must be approved by the board of directors.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash	\$ 628,048	\$ 1,157,777
Term deposit	50,000	-
	\$ 678,048	\$ 1,157,777

The term deposit bears interest at 1.97% per annum and matures in June 2020.

3. Tangible Capital Assets

	2019		
	Cost	Accumulated Amortization	Net Book Value
Facility expansion	\$ 2,083,749	\$ 61,930	\$ 2,021,819
Equipment	10,796	4,235	6,561
Contributed van	43,481	13,044	30,437
Furniture and fixtures	12,934	8,624	4,310
Computers	20,665	16,037	4,628
Facility improvements	50,471	28,388	22,083
	\$ 2,222,096	\$ 132,258	\$ 2,089,838
Equipment consists of:			
Program	\$ 3,835	\$ 2,557	\$ 1,278
Maintenance	5,506	1,533	3,973
Centre Cafe	1,455	145	1,310
	\$ 10,796	\$ 4,235	\$ 6,561

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2019

3. Tangible Capital Assets (continued)

	2018		
	Cost	Accumulated Amortization	Net Book Value
Facility expansion	\$ 1,480,673	\$ 8,450	\$ 1,472,223
Equipment	47,162	35,714	11,448
Contributed van	43,481	4,348	39,133
Furniture and fixtures	23,653	16,986	6,667
Computers	23,069	12,683	10,386
Facility improvements	61,194	31,204	29,990
	\$ 1,679,232	\$ 109,385	\$ 1,569,847
Equipment consists of:			
Office	\$ 1,284	\$ 1,070	\$ 214
Program	16,304	11,669	4,635
Fitness centre	13,094	10,911	2,183
Maintenance	16,480	12,064	4,416
	\$ 47,162	\$ 35,714	\$ 11,448

During the year, the Association wrote off \$66,097 of fully amortized assets that were no longer in use.

4. Intangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 87,794	\$ 8,779	\$ 79,015	\$ -

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2019

5. Deferred Contributions

Deferred contributions represents funds received in the current year that relates to operations of the subsequent year.

	2019	2018
Capital projects and expansion	\$ -	\$ 46,487
SJAM	57,691	28,397
	\$ 57,691	\$ 74,884

6. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions related to tangible capital assets represents a donated tangible capital asset, as well as contributions received to fund the facility expansion.

	2019	2018
Balance, beginning of year	\$ 918,123	\$ 415,152
Contributions received	557,535	516,208
	1,475,658	931,360
Amounts recognized as revenue during the year	(60,013)	(13,237)
Balance, end of year	\$ 1,415,645	\$ 918,123

7. City of Ottawa Funding

Total funding received from the City of Ottawa during the year was as follows:

	2019	2018
Purchase of service agreement	\$ 405,974	\$ 350,506
National Child Benefit	-	29,443
Outdoor Rink Grant	9,518	9,240
Wading Pool Grant	-	15,450
	\$ 415,492	\$ 404,639

In addition to the funding listed above, the City of Ottawa also funded \$8,000 related to inclusion programs, and has been included in recreation program revenue.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2019

8. Commitments

During the year, the Association entered into a services contract for its registration software and is committed to an annual payment of \$52,000 until July 2024.

9. Subsequent Event

On March 11, 2020, the World Health Organization categorized the coronavirus (COVID-19) as a pandemic. Following the recommendation of Canadian health organizations and governments to contain COVID-19, the Association has closed effective March 16, 2020. While the impact to the Association's programs will be material, the disruption to business operations and the duration of the virus' impact are not yet known.

10. Financial Instruments Risks and Concentrations

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations as at December 31, 2019.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association is exposed to credit risk in the event of non-payment by their customers for their accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Association is not exposed to any significant market risk.

Changes in risk

There have been no significant changes in the Association's risk exposures from the previous fiscal year.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2019

11. Comparative Amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**Dovercourt Recreation Association
Schedule 1 - Programs**

For the year ended December 31	2019	2018
Revenue		
Aquatics	\$ 1,031,827	\$ 1,054,530
Arts and Culture	89,230	69,739
Health and Fitness	541,198	579,913
Recreation	<u>3,284,080</u>	<u>3,309,330</u>
	<u>4,946,335</u>	<u>5,013,512</u>
Direct expenses		
Aquatics	461,547	493,746
Amortization	3,331	3,584
Arts and Culture	59,752	43,433
Health and Fitness	356,806	358,046
Recreation	<u>1,747,913</u>	<u>1,714,747</u>
	<u>2,629,349</u>	<u>2,613,556</u>
Net revenue from programs	<u>\$ 2,316,986</u>	<u>\$ 2,399,956</u>

Dovercourt Recreation Association
Schedule 2 - Operations and Community Development

For the year ended December 31	2019	2018
Revenue		
Fundraising	\$ 5,019	\$ 490
Community Development	362,350	332,775
Deferred contributions recognized	60,013	13,237
Parties and rentals	76,613	90,704
Other revenue	157,611	186,742
	661,606	623,948
Direct expenses		
Operations	2,908,535	2,700,299
Amortization	90,477	35,183
Community Development	234,202	272,432
Parties and rentals	30,812	27,171
	3,264,026	3,035,085
Net loss from operations and community development	\$ (2,602,420)	\$ (2,411,137)